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No. 543

Supreme Court of the United States

THE CONSUMERS BREWING COMPANY,
Petitioner,

vs.

THE E. F. PRICHARD COMPANY AND THE HEIDEL-
BERG BREWING COMPANY,
Respondents.

**PETITION FOR WRIT OF CERTIORARI AND BRIEF
IN SUPPORT THEREOF.**

SANFORD A. HEADLEY,
Attorney for Petitioner.



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Supreme Court of the United States

THE CONSUMERS BREWING COMPANY,
Petitioner,
vs.

THE E. F. PRICHARD COMPANY AND THE HEIDEL-
BERG BREWING COMPANY,
Respondents.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable the Supreme Court of the United States:

The petition of The Consumers Brewing Company respectfully shows to this Honorable Court:

- (1) That this action was originally brought in the United States District Court for the Eastern District of Kentucky, and was a civil action by your petitioner for an injunction and accounting for the unlawful use by the respondents here, defendants there, of a trade-mark trade name briefly described as the combination of the words "**Olde Towne**" and a certain design known as the "lamp-lighter design", and is numbered on the docket of said court as No. 159.
- (2) Said cause was tried by said court, and on the fifth day of February, 1942, findings of fact and conclusions of law were filed therein by the Honorable H. Church Ford, judge of said court (Record, pp. 308-317).

(3) On the twentieth day of February, 1942, a judgment in accordance with the finding of fact and conclusions of law was filed wherein the issues joined in the case were found in favor of the plaintiff; that said plaintiff was the owner of the trade-mark in question and an injunction granted against the further use of the same by the defendants. The cause was retained on the docket for the determination and assessment of damages (Record, p. 317).

(4) On the same day, an order was entered staying proceedings on the injunction pending the fixing of supersedeas bond (Record, p. 319).

(5) On March 27, 1942, notice of appeal was filed in said District Court.

(6) On the twenty-eighth day of June, 1942, the printed record was filed in the United States Circuit Court of Appeals, Sixth Circuit, and numbered on the docket of said court No. 9293. Thereafter, on the twenty-ninth day of June, 1942, the petitioner, appellee in said Circuit Court of Appeals, filed its motion to dismiss said cause for want of jurisdiction.

(7) Said cause came on for hearing and argument in the Circuit Court of Appeals and on the twenty-eighth day of June, 1943, said court rendered its decision, a copy of which is hereto attached, as appears of record herein.

(8) Thereafter, on the twenty-sixth day of July, 1943, the appellee, petitioner here, filed its petition for a rehearing, as required by the rules of said court. Said petition for rehearing was overruled by opinion filed in the office of the clerk of said court on the sixth day of October, 1943, and the opinion on said petition for rehearing is incorporated as a part of the record here.

Your petitioner is advised and believes that said judgment of the United States Circuit Court of Appeals in said

cause is erroneous and that this Honorable Court should require said cause to be certified to it for its review and determination in conformity with the provision No. 240 of the Judicial Code. The questions erroneously decided by the Circuit Court of Appeals and the grounds for which petitioner believes this court should take jurisdiction are as follows:

(1) That said court erred in overruling the motion of your petitioner to dismiss said cause for want of jurisdiction.

The appeal to the Circuit Court of Appeals was from an interlocutory decree. The notice of appeal was not filed within the period required by law, thirty days from entry of judgment. (Judicial Code, Section 129, F. C. A., Title 28, Section 227.) The decision of the Circuit Court of Appeals overruling the motion to dismiss for want of jurisdiction is a decision on an important question in conflict with the applicable decisions of this court (**George v. Victor Talking Machine Co.**, 293 U. S., 377). Said decision on this question expressly nullifies the provisions of the last clause of Rule No. 6-b of the Rules of Civil Procedure which denies to the District Court the right to extend the time within which an appeal must be taken as may be provided by law.

(2) On the merits, the question at issue in the District Court was the ownership and right to use a trade-mark. The plaintiff there, appellee in the Court of Appeals and petitioner here, claimed this right through long continued use of the mark in question. The defendant in the District Court, appellant in the Court of Appeals and respondent here, claimed the right to use the same trade-mark as the successor of one E. F. Prichard who claimed to have originated the mark and licensed it at will to the petitioner.

which license he claims to have terminated on the sixth day of December, 1939. The license was without the transfer or conveyance of any trade or business which the said Prichard had established in goods to which the mark was attached. In short, the claim of Prichard was that he had licensed a naked trade-mark.

The Circuit Court of Appeals held that the license was valid, whereas the weight of authority is that the license of a naked trade-mark is invalid and constitutes an abandonment of the mark by the licensor (**Lafayette Brewery, Inc., v. Rock Island Brewing Company**, 87 Fed. (2d), 489; **Nims Trade-Marks, Trade Names and Unfair Competition**, Third Edition, pages 67 and 68).

The decision of the Circuit Court of Appeals in effect declares that a trade-mark right is a right in gross or at large and is contrary to the decisions of this court (**United Drug Co. v. Rectanus Co.**, 248 U. S., 90, 97; **Hanover Milling Co. v. Metcalf**, 240 U. S., 405). It is also contrary to the local law of the state of Kentucky (Commonwealth ex rel. v. Kentucky Distillers & Warehouse Co., 116 S. W., 766).

(3) The so-called licensing agreement was entered into between John C. Bruckmann, vice-president and general manager of the petitioner, The Consumers Brewing Company, and E. F. Prichard. It was entered into in furtherance of the individual designs and interests of the contracting parties and to the detriment of and contrary to the interests of The Consumers Brewing Company for which Mr. Bruckmann was supposed to be acting. No stockholder, officer, or agent other than Bruckmann knew of the existence of the alleged contract. The Court of Appeals held that the contract was valid. This holding is contrary to the local laws of the state of Kentucky and of the state

of Ohio, and contrary to the general weight of authority (**Looseleaf Tobacco Co. v. Robinson**, 199 Ky., 213; **Jasper v. Appalachian Gas Company**, 152 Ky., 68; **Main Jellico Mountain Coal Company v. Lotspeich**, 14 Ky. Law Reports, 59; **Thomas v. Matthews**, 94 Ohio State, 32).

A certified copy of the entire record in the Circuit Court of Appeals is hereto attached, incorporated herein by reference, and marked for identification as "Exhibit A", in compliance with the rules of this Honorable Court. An affidavit as to jurisdiction is hereto attached, incorporated herein by reference, and marked for identification as "Exhibit B".

Wherefore your petitioner respectfully prays that a writ of certiorari may be issued out of and under the seal of this court, directed to the United States Circuit Court of Appeals for the Sixth Circuit, commanding the said court to certify and send to this court, on a day certain to be therein designated, a full and complete transcript of the record and all proceedings of the said Circuit Court of Appeals in the said case, entitled "E. F. Prichard Company and The Heidelberg Brewing Company, Appellants, v. Consumers Brewing Company, Appellee", No. 9293, to the end that the said case may be reviewed and determined by this court as provided by Section 240, Judicial Code, or that your petitioner may have such other or further relief or remedy in the premises as this court may deem appropriate and in conformity with said provision of the Judicial Code and that the said judgment of the said Circuit Court of Appeals in the said case and every part thereof may be reversed by this Honorable Court.

SANFORD A. HEADLEY,

Attorney for The Consumers Brewing Company, Petitioner.

BRIEF.**I.****THE CIRCUIT COURT OF APPEALS ERRED IN OVER-RULING THE MOTION OF YOUR PETITIONER TO DISMISS SAID CAUSE FOR WANT OF JURISDICTION.**

The petitioner filed its motion to dismiss this cause in the Circuit Court of Appeals on June 29, 1942, immediately after the record was filed there. Attached to the motion was a brief and the respondents filed an answering brief. The motion was passed at that time by the court for determination in connection with the hearing on the merits. The point was called to the court's attention at the argument, and further called to the court's attention in the brief filed subsequent to the argument. The question was not noticed by the court in the original opinion but was overruled in the opinion rendered on rehearing.

The appeal to the Circuit Court of Appeals was from an interlocutory decree, and is governed by Judicial Code Section 129 (Federal Code Annotated, Title 28, Section 227). That section provides:

"The appeal to the Circuit Court of Appeals must be applied for within thirty days from the entry of such order or decree."

Rule No. 73 of the Rules of Procedure provides that:

"When an appeal is permitted by law from a District Court to a Circuit Court of Appeals and within the time prescribed, a party may appeal from a judgment by filing with the District Court a notice of appeal."

The injunction in this case was entered by the District Court February 20, 1942. The notice of appeal was filed March 27, 1942 (Record, p. 323). Under the law and the rules, the last day within which the right of the appellants to appeal was March 23, 1942. Therefore, it is clear that the appeal was not filed within the time prescribed by law, and the attempted appeal is a nullity, and the Circuit Court of Appeals was without jurisdiction.

It has always been the law of the United States courts that the right to appeal, not being a common law right, but purely the creature of statute, must be taken in the form and within the time prescribed by the acts of Congress relating thereto. This doctrine was laid down by the Supreme Court in the case of the **United States v. Currie et al.**, 47 U. S., p. 106. In the opinion by Chief Justice Taney, the court say:

"It has been said that this objection is a mere technicality, and may be regarded rather as a matter of form than of substance, but this court does not feel itself authorized to treat the directions of an act of Congress as it might treat a technical difficulty growing out of ancient rules of the common law. The power herein to determine a case like this is conferred upon the court by acts of Congress, and the same authority which gives jurisdiction has pointed out the manner in which the case should be brought before us; and we have no power to dispense with any of these provisions or change or modify them. And if the mode prescribed for removing causes by writ of error or appeal be too strict and technical, and likely to produce inconvenience or injustice, it is for Congress to provide a remedy by altering the existing laws; not for the court, and as this appeal has not been prosecuted in the manner directed within the time limited by acts of Congress it must be dismissed for want of jurisdiction." (Pgs. 112, 113.)

The identical question here presented was before the court in the case of **George v. Victor Talking Machine Company**, 293 U. S., 377 (55 S. C. R., 229). In that case, in reversing the Court of Appeals for the Third Circuit, this court *per curiam* used the following language:

"The decree was entered on March 31, 1933, and the appeal to the Circuit Court of Appeals was not taken until May 18, 1933. The Circuit Court of Appeals entertained the appeal and reversed the decree of the District Court. As the appeal was not taken within the time prescribed by law, the Circuit Court of Appeals was without jurisdiction. Jud. Code, Sec. 129 (28 U. S. C. A., Section 227). The decree of the Circuit Court of Appeals is reversed and the cause is remanded to that court with directions to dismiss the appeal."

The court below held that this rule did not apply because of the order entered February 20, 1942 (Record, p. 319).

"On motion of the defendants, and the court being advised,

It is hereby ordered and adjudged that the judgment herein entered on the twentieth day of February, 1942, and the injunction provided for therein, and all proceedings thereunder, be, and the same, are hereby stayed pending determination by the court of the amount of supersedeas bond to be provided and for ten days thereafter to permit defendants to perfect their appeals to the Circuit Court of Appeals, Sixth Circuit."

This order was obviously entered to prevent contempt or other coercive measures against the defendants there, respondents here. It was not entered to extend the time within which an appeal might be filed. The District Court was without jurisdiction to make any order extending that time. The right of that court to extend the time for doing

an act which was not done within the time prescribed is covered by Rule No. 6, and the last sentence of Subdivision B of that rule expressly denies the right to extend the time within which to take an appeal as provided by law.

The appellants thoroughly understood the purpose of the order last above set forth.

This court in the case of the **Title Guaranty & Surety Company v. The United States**, 222 U. S., 401, laid down the rule applicable here. The headnote of the case fully states the proposition, and reads as follows:

“An order cannot control a subject to which it cannot lawfully extend; and a stay order, granted to give the defeated party an opportunity to apply to this court for certiorari, does not operate to extend the time within which the writ of error must be lodged in order to be the basis for a supersedeas.

There is a difference between a stay order for purposes of rehearing, which prevents a judgment from becoming final, and one granted to enable an application to be made for certiorari which does not prevent the judgment from becoming final.”

In consideration of this question by the Circuit Court of Appeals on the rehearing, the court makes a recital of a number of things that are not incorporated in the printed record. However, they are immaterial. The authority of the court to make the stay order is contained in Rule No. 62 of the Rules of Procedure for District Courts. Under that rule, the stay is automatic for ten days. This being an interlocutory judgment in an action for an injunction, it could not be further stayed by the court below except for the following language contained in Subdivision A of that rule:

“Unless otherwise ordered by the court, an interlocutory or final judgment in an action for an injunc-

tion * * * shall not be stayed during the period after its entry and until an appeal is taken or during the pendency of an appeal."

The judgment of the court in this case did two things—it fixed the rights of the parties and furnished the basis for coercive measures to enforce those rights. The court merely suspended the right to use coercive measures. It did not suspend the judgment for the purpose of further consideration of the case on its merits nor was it asked to do so. To give this stay order any other effect than that here contended for is to confer upon the District Court powers expressly denied to it under Rule No. 6, to destroy the meaning of the statute under which the appeal was taken and to give to Rule No. 62 a meaning and construction which its language does not warrant and which we confidently assert was never intended.

The court below in its memorandum opinion uses the following language:

"While the combination of decree and order was unusual, it appears clear that it was the intent of the court, and the understanding of counsel for all parties, that the decree was suspended and was to take effect only after the court had determined upon the supersedeas bond."

This statement as to the understanding of the parties is gratuitous, has no foundation in fact, nor in the record, and is directly contrary to the conception of counsel for the appellants below, respondents here, as well as counsel for the petitioner. An examination of the two cases cited in support of the decision below, **Suggs v. Mutual Ben. Health & Accident Assn.**, 115 F. (2d), 80; **Bowman v. Loperena, et al.**, 311 U. S., 262, 266, demonstrates that what the courts had under consideration in those cases had nothing to do

with the question here, but merely held that a petition for new trial or rehearing considered on its merits by the trial court suspended the running of the period of limitation. That has always been the law. We submit on this branch of the petition that the question is an important one, that it was wrongly decided, and that this court should consider and decide the point at issue.

II.

THE CIRCUIT COURT OF APPEALS ERRED IN REVERSING THE JUDGMENT OF THE DISTRICT COURT.

(A) The Issues in the Case.

(The petitioner will hereafter be referred to as plaintiff, the respondents as defendants, that being the situation of the parties in the District Court.)

The suit below was tried on the amended bill of complaint of the plaintiff, the answer and cross-petition of the defendant, the allegations in the cross-petition being traversed by a reply.

The plaintiff claimed the right to the disputed trademark on the ground of adoption, continued and extensive use in commerce. The first use by the plaintiff was on the fourth day of June, 1935. The defendant, after a general denial, set up its claims in a counter-claim. The elements of this claim so far as they are important here are found on pages 12, 13 and 14 of the printed record, and may be paraphrased as follows:

That E. F. Prichard adopted and used on the twenty-ninth day of April, 1935, that portion of the disputed trade-

mark referred to as the "lamplighter design"; that he was the first person to so use it whereby it became his own property; that on or about May 1, 1935, he, Prichard, licensed this designed trade-mark to the plaintiff "for such period of time as should be agreeable to Prichard as said licensor" (p. 13); that "on or about the sixth day of December, 1939, Prichard personally notified the plaintiff to cease and desist in the use of his trade-mark and design upon its bottled beverages as aforesaid". The purpose of the so-called licensing agreement is set forth in the same pleading as follows:

"At the time of said agreement between the said E. F. Prichard and the plaintiff herein, one John C. Bruckmann was the president and active manager in control of the plaintiff, Consumers Brewing Company, and the said John C. Bruckmann and the said E. F. Prichard were contemplating and endeavoring the establishment of a brewery in Lexington, Kentucky, to be known as the Lexington Brewing Company with the intention that said The Lexington Brewing Company should, upon the commencement of its brewing operations, use the said trade-mark and design above referred to and the property of the said E. F. Prichard, it being understood that the said Prichard was to be one of the promoters of said brewery which was to be incorporated and that he was to be the general manager thereof and vice-president of and should be issued 25% of the common stock thereof in consideration of his efforts and in further consideration of the permission granted by him to use his said trade-mark and design as aforesaid." (Record, pp. 13-14.)

It is further alleged in this cross-petition that it was agreed that the words "Olde Towne" should be added to the design and become a part of the trade-mark, and that the word "Newark" should appear on the label of plaintiff's product, and the word "Lexington" on the product of the Lexington Brewing Company.

(B) The Evidence.

It was not disputed and the evidence conclusively shows that the plaintiff had, beginning in June, 1935, and continuously thereafter used the disputed trade-mark extensively throughout the states of Ohio, Kentucky, Tennessee, Virginia, and West Virginia.

The evidence to support the allegation of adoption and use of the trade-mark by Prichard was confined to a single transaction. On the twenty-ninth day of April, 1935, Prichard was in charge of the office of the John C. Brueckmann Company at Lexington, Kentucky. The John C. Brueckmann Company was a distributing agent, distributing plaintiff's products in that territory. On that day, one Adams, a truck driver for a firm known as Sell & Sell, doing business at Johnson City, Tennessee, and not customers of either the John C. Brueckmann Company or the Consumers Brewing Company, called at this office and received ten cases of beer. This call was without any order from his employer. The product he received was known as "Consumer's Special", a brand of beer then being brewed and sold by the plaintiff. Before delivery to Adams, Mr. Prichard (so he certified) had "soaked off" the labels of some of the bottles and re-placed these labels with labels carrying the "lamplighter design" but not the phrase "Olde Towne". This beer was transported to Johnson City, Tennessee, was not paid for, and was not sold in the course of trade. Most of it was consumed by the employees of Sell & Sell. The transaction was reported to the Covington, Kentucky, office of the plaintiff company on forms furnished by it as the sale of ten cases of "Consumer's Special". This beer was never paid for and was finally charged off to advertis-

ing expense. Mr. Sell and his manager testified on the subject, and did not see the substituted label on the beer.

On this evidence the District Court concluded as a matter of law that the use was insufficient to establish in Prichard any trade-mark right (Conclusion of Law No. 7, page 315 of the Record). On the subject of the license, Mr. Prichard is on record twice. In his answer and cross-petition he states as heretofore set forth that this agreement was made on or about May 1, 1935. In his testimony he says that the agreement with Mr. Bruckmann, that is, the license agreement, was made right after the fourteenth or fifteenth of April, 1935, before the first labels carrying the lamplighter design were ever printed, and before they were ever used as a label, trade-mark or brand on any merchandise whatever (Record, pp. 159, 180-184, inclusive).

(C) Argument.

The Circuit Court of Appeals erred in holding that Prichard ever obtained any property right in the disputed mark.

The Circuit Court of Appeals did not expressly overrule the conclusion of law above referred to. It did not in its opinion undertake to controvert anything here said in the record about the facts of the case. The District Court found that the John C. Bruckmann Company was a joint enterprise by Mr. Bruckmann and Mr. Prichard. The Circuit Court of Appeals enlarged this finding into a finding that it was a partnership from which conclusion it further concluded that since this partnership purchased its product which carried the disputed mark, from the plaintiff and in turn distributed the product in trade, this distribution or use was a use by Prichard and clothed him with title and

wnership of the trade-mark south of the Ohio River "where the mark has been established by Prichard." In so holding, the court overlooks two things:

(1) That the agreement, according to Prichard's testimony, was made about the fifteenth day of April, 1935, before any use had ever been made of the mark or any part of it in trade, even before it was printed.

(2) That the surreptitious use by Prichard of the label on the shipment to Sell & Sell was not such as to give to him any trade-mark rights. These things being true, and Prichard having no trade-mark rights which he could license, the license itself must fall, and the court was wrong in holding otherwise.

Even if Prichard was a partner of John C. Bruckmann in the John C. Bruckmann Company, such fact would have very little, if any, bearing upon this case. While the court rounded its opinion on the theory that if Prichard was partner of Bruckmann, the partnership being the purchasers of the brewed products of Consumers, which they in turn sold in the territory where they operated, that this use was Prichard's use, and this commerce supplied the necessary to vest trade-mark rights in Prichard, this conclusion overlooks a very substantial and vital element in the case, which is that prior to any such a sale by the Consumers to the John C. Bruckmann Company, Mr. Prichard had "licensed" the trade-mark to the Consumers. This license meant a transfer of the rights in the trade-mark out of Prichard's hands and into the Consumer's hands. So long as this license was in effect, Prichard himself had no right to use the mark. **Deforest Radio Corp. v. Radio Corp.**, Fed. (2d), 150, at 151. In other words his right was in abeyance pending his decision to revoke the license. He

did not attempt to revoke the license until nearly four years later and long after the John C. Bruckmann Company ceased business. Therefore, it can not be concluded that the purchase of products bearing the mark by the partnership in which Prichard was a member and the resale of them by that partnership in any way added to Prichard's trade-mark rights.

Stress was laid upon Prichard's statement in the record that the Consumer placed these labels on its product by his permission. This means no more, if it means anything, than that Prichard had licensed his trade-mark to that company.

Another reason why the question of partnership between Prichard and Bruckmann is unimportant is that the so-called reservation in Prichard of the right to use the trade-mark south of the Ohio River was not a reservation to Prichard at all. This reservation, if there were such a thing, was for the benefit of the Lexington Brewing Company.

The decision of the Circuit Court of Appeals in effect treats the trade-mark in question as property in gross and not as an appurtenant to an established trade or business. It thereby effects a departure from the established rules of law on the subject in every jurisdiction and is contrary to the law as repeatedly laid down by this court. The following statement by Mr. Justice Pitney in the case of the **United Drug Co. v. Rectanus Company**, 243 U. S., at page 97:

"There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as

the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business."

is the law of trade-marks as we conceive it to be.

III.

THE CIRCUIT COURT OF APPEALS ERRED IN HOLDING THAT THE AGREEMENT OF LICENSE IF ONE EXISTED MADE BETWEEN JOHN C. BRUCKMANN AND E. F. PRICHARD WAS A VALID AND BINDING AGREEMENT ON THE PLAINTIFF.

In this subdivision of this brief, it is our purpose to discuss this contract independently of any question of trademark law.

The District Court found that an agreement of the character set forth in the cross petition was entered into between Mr. Bruckmann and Mr. Prichard, Record, p. 311. As a conclusion of law, the court found that this contract was not effective to vest or create in E. F. Prichard any present or future right in the disputed trade-mark (Conclusion of Law No. 8, page 315). The Circuit Court of Appeals held this contract to be a binding contract upon the plaintiff and gives its reasons on page 11 of the printed opinion as follows:

"The contract appeared to have been made in due course of business and within the scope of his authority."

"He did not surrender any rights that the company was entitled to nor subject to any liability."

"He contracted for the sale of beer to the partnership."

"The agreement resulted in several years of substantial and prosperous business for the brewing company which was not at the time of the agreement in an especially flourishing condition." (Opinion, p. 11).

The foregoing extracts from the opinion which we have separately quoted for the reason that they set forth separate reasons for holding the agreement binding on the Consumers Brewing Company are not sufficient reasons for the conclusion of the court and are based in part on erroneous factual conclusions and do not meet the main reasons why this contract is not so binding.

~~In~~ the first place, Bruckmann was not president of the Consumers Brewing Company at the date of the alleged agreement (either April 16 or May 1, 1935). He did not become president of that company until June 21, 1935 (Record, p. 97).

We further submit that a contract made by a subordinate officer of a corporation for the sole purpose of benefiting himself and the other party to his contract without regard to the rights of his principal, for example, as "a stepping stone to opening the Lexington Brewing Company" (Opinion top of page 10) in which his principal has no interest, is not a contract made in the usual course of business.

We further submit that the contract must be considered in the light of what has followed, as placing the company under great liability for costs, expenses and possible loss of trade. Just where in the record there is justification for the statement that the company prospered under this contract is unknown to counsel. It went into bankruptcy with a petition for reorganization under the Chandler Act on January 21, 1939 (Record, p. 276), after only about three and one-half years of management under Mr. Bruckmann in

association with Mr. Prichard and other persons which he brought into its affairs.

The vice of the alleged agreement is that it was entered into by an officer of the corporation in furtherance of his individual purposes and designs, and in derogation of the rights of his principal. The other contracting party had full knowledge of this fact (Record, pp. 13, 14). By reason whereof it is elementary law that the contract is fraudulent and void and not binding on the principal.

That this rule is rigidly enforced in the state of Kentucky as well as the state of Ohio where plaintiff is incorporated is demonstrated by an examination of the pronouncement of its courts of last resort on the subject. Thus, in the case of **Loose Leaf Tobacco Co. v. Robinson**, 199 Ky., 213, that court held:

"An officer of a corporation in his dealings with it or in his dealings with others on behalf of the corporation, is held to the strictest good faith and can not place himself where his personal interests are antagonistic to the corporation, nor make secret or unconscionable profits for himself because of his position as an officer."

In accord, **Jasper v. Appalachian Gas Co.**, 152 Ky., 68.

In an earlier case, **Main Jellico Mountain Coal Co. vs. Lotspeich**, 14 Ky. Law Reports, 59, the court stated the rule as follows:

"A contract between the president and one of the directors of a mining company whereby the president attempts to deliver coal to the director at a certain price in consideration of the director's endorsement of a note executed by the president and his wife to a bank, is void and not obligatory on the corporation.

The president of such corporation has no authority to bind such corporation by a contract with a director entered into between the parties for their own personal advantage."

Thomas v. Matthews, 94 Ohio State, 32:

"A contract made by a director of a corporation with reference to his official action as such, based upon a consideration personal to himself is against public policy and void."

"A contract made by a director of a corporation that limits or restricts him in the free exercise of his judgment or discretion, or that places him under direct and powerful inducement to disregard his duties to the corporation, its creditors and other stockholders in the management of corporate affairs, is against public policy and void."

Had Mr. Bruckmann and Mr. Prichard made a profit out of this agreement, both of them would have been liable to the plaintiff for that profit. **Irving Trust Co. v. Deutsch**, 73 Fed. (2d), 121.

No mention has been made in this brief of the respondent, The Heidelberg Brewing Company. This respondent manufactured the product sold by the E. F. Prichard Company, and placed the disputed labels incorporating the trade-mark thereon. It makes no claim to any trade-mark rights, and therefore for the purpose of this petition, we concede that any discussion of its part in the litigation is unnecessary.

For the reasons herein given, we respectfully submit that the prayer of the petition should be granted.

SANFORD A. HEADLEY,
Attorney for Petitioner.

In the Supreme Court of the United States.

No. The Consumers Brewing Company, Petitioner,
vs. The E. F. Prichard Company and Heidelberg Brew-
ing Company, Respondents.

Affidavit.

State of Ohio, Franklin County, ss.:

Roy R. Smith, being first duly cautioned and sworn, de-
poses and says that he is president, a director and a stock-
holder of The Consumers Brewing Company, an Ohio cor-
poration; that the matters and things in controversy in
this action are well known to him and that the amount of
value in controversy in this action exceeds \$5,000.00.

Further affiant saith not.

Roy R. Smith, Pres.

Sworn to before me and subscribed in my presence this
seventh day of December, 1943.

Mary Fox,

Notary Public, Franklin County, Ohio.

My commission expires August 20, 1945.

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CHARLES ELMORE, C.R.P.
C.R.P.

No. 543

IN THE

Supreme Court of the United States

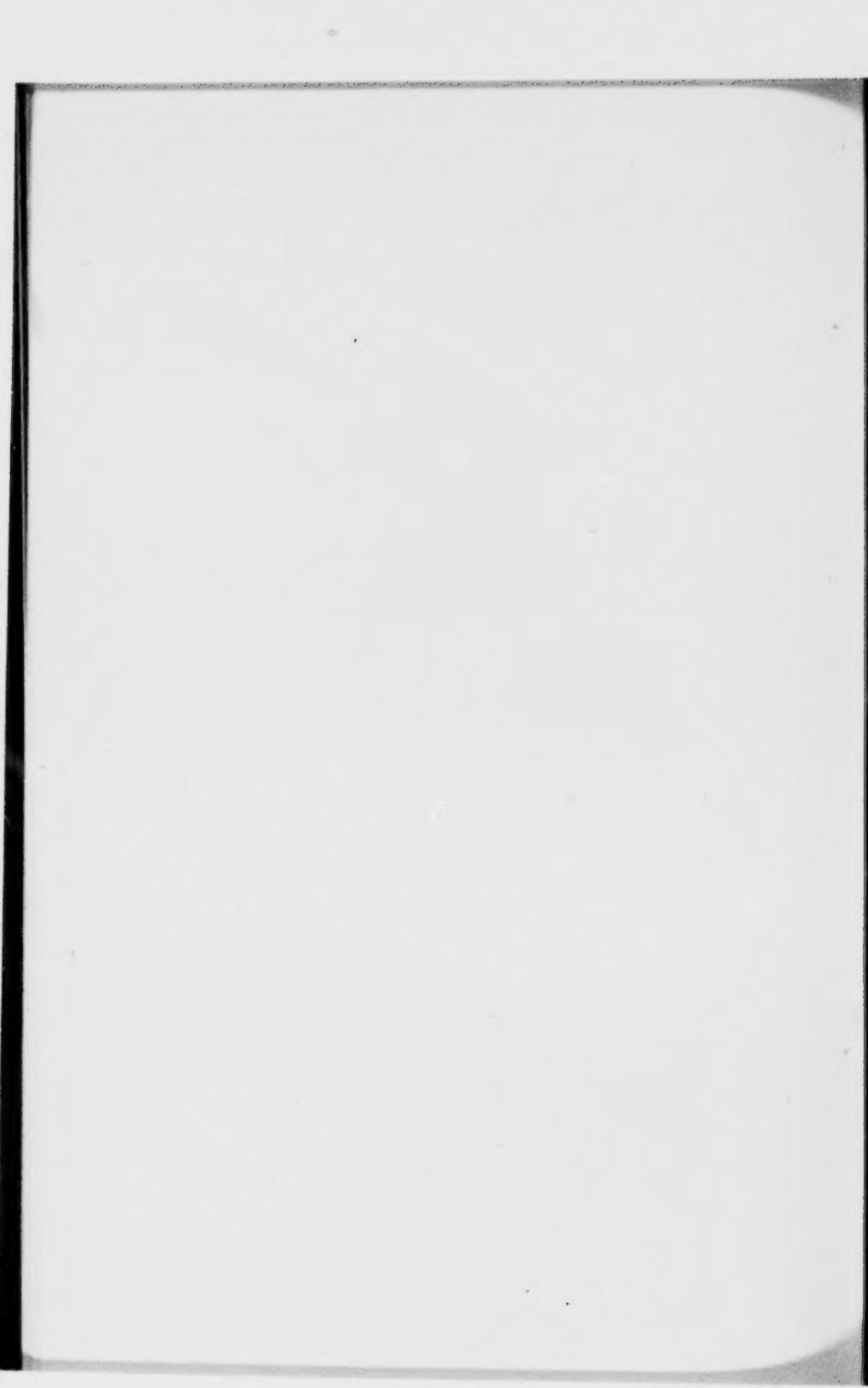
CONSUMERS BREWING COMPANY, Petitioner,

vs:

E. F. PRICHARD COMPANY and
HEIDELBERG BREWING COMPANY, Respondents.

**RESPONSE BRIEF FOR RESPONDENT,
E. F. PRICHARD COMPANY.**

RODMAN W. KEENON,
KEENON, HUGUELET & ODEAR,
Lexington, Ky.
Counsel for Respondent.



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**RESPONSE BRIEF FOR RESPONDENT,
E. F. PRICHARD COMPANY.**

To the Honorable the Supreme Court of the United States:

The petition for writ of certiorari herein and the supporting brief filed by the petitioner, Consumers Brewing Company, gives a short history of the pleadings in this case, but does not make statement of the facts involved. This may be due to the fact that both the District Court and the Circuit Court of Appeals for the Sixth Circuit decided in favor of the respondent, E. F. Prichard Company, "on all of the immporatant issues of fact" (Opinion, Record, p. 360).

While the facts established by the evidence are set out at length in the opinion of the United States Circuit Court of Appeals for the Sixth Circuit, we will for the convenience of the court, since there is no such statement of fact in the petitioner's brief, make a short and summary statement of the facts involved.

STATEMENT OF FACTS INVOLVED

This litigation arose over a dispute as to the ownership of and right to use a trade-mark on beer products known as the "Olde Towne Lamplighter" label in the territory south of the Ohio River.

In 1933, after the repeal of prohibition, E. F. Prichard entered the beer business in Lexington, Kentucky, as distributor. Shortly thereafter he became interested in the prospect of organizing a brewery in Lexington using for such purpose the properties of the Old Lexington Brewing Company, which had not been manufacturing beer since before prohibition. Mr. Prichard, upon investigation, found that these premises were owned by a company, the stock of which was in turn owned, to a large extent, by the members of the Bruckmann family of the Bruckmann Company, a brewing concern located in Cincinnati, Ohio. Mr. Prichard thereupon commenced negotiations with the Bruckmanns in Cincinnati for the purchase of the brew-

ery properties in Lexington. In this way he came in contact with John C. Bruckmann, then the president of the Bruckmann Company, and on March 1st, 1934, Mr. Prichard became associated with the Bruckmann Company, as Manager of its Lexington and southern division. During this time and over the course of more than a year, Mr. Prichard and John C. Bruckmann discussed Mr. Prichard's proposition to open and operate the Lexington Brewery.

On March 1st, 1935, John C. Bruckmann severed his connection with the Bruckmann Company and became General Manager and Vice President, and a few months later the President of the petitioner, Consumers Brewing Company at Newark, Ohio.

Mr. Bruckmann advised Mr. Prichard that the Lexington property was going to be sold by the Bruckmann Company and Bruckmann and Prichard had agreed to go in together to open the Lexington Brewing Company.

Shortly after Bruckmann left the Bruckmann Company, Prichard also discontinued his association with the company and Bruckmann and Prichard entered into business relations as partners in Lexington, Kentucky, for the purpose of engaging in the distribution of beer and beer products throughout Central Kentucky and adjoining states south of the Ohio River.

They first operated under Mr. Prichard's name, but shortly thereafter the partnership took the name of the John C. Bruckmann Company. It was the intention of Bruckmann and Prichard that they would "work into the Lexington Brewing Company". Pending their acquisition of the Lexington Brewing property and the formation of the corporation to be known as the Lexington Brewing Company, at which time they intended to produce their own product, it was their intention to obtain their product from the petitioner, Consumers Brewing Company.

Prior to this time, and in 1934, Prichard conceived the idea of the "Lamplighter design" as a label for beer. He employed an artist to copy a picture which he had found in an old Dickens' novel and had plates made for its reproduction and caused a number of labels to be printed with the picture referred to in the case at bar as the "Lamplighter" design. This design with the words "Olde Towne" affixed to the bottom thereof constitute the trade-mark in question.

In the first part of 1935, Prichard went to the offices of the petitioner, Consumers Brewing Company, at Newark, Ohio, and conferred with Bruckmann. Mr. Prichard showed Bruckmann the new labels with the "Lamplighter" design, and after some talk they decided on the addition "Olde Towne" to the label.

An agreement was then reached that the Consumers Brewing Company was to place this label upon the beer which was being purchased from it by Mr. Prichard and Bruckmann in Kentucky, and that the Consumers Brewing Company would be permitted to use the label on its own beer which it was selling North of the Ohio River, especially in Ohio.

In addition to the label, consisting of the "Lamplighter" design, and the words "Olde Towne", it was agreed that the word "Newark" would be added to the label until such time as the Lexington Brewing Company would be organized and would get into production, at which time the new company would use the same label, except that the word "Newark" would be dropped and the word "Lexington" inserted in its stead for distribution and sale in states south of the Ohio River, and that the petitioner, Consumers Brewing Company, would have the use of the "Olde Towne Lamplighter" label with the word "Newark" thereon for the sale of products by it north of the Ohio River.

In order to protect Mr. Prichard in case something happened, and the plans did not work out, it was agreed that Prichard should have the right to take back his design for his own exclusive use when he wished. On the basis of this agreement, the partnership continued to buy its beer

from the petitioner, Consumers Brewing Company, which was now marked with the "Newark Olde Towne Lamplighter" label until 1938 when the Lexington Brewing Company was incorporated.

The record discloses and it is recognized by the Court that the practice of a concern, in purchasing beer from a brewery and then labeling it and selling it under a different name — sometimes as its own beer — was and is a common method of marketing beer products.

Mr. Prichard was an integral part in the organization of the Lexington Brewing Company and received a large block of stock therein and became Vice President and General Manager. The stockholders and Directors of the Consumers Brewing Company are all shown to have worked together in trying to get the Lexington Brewing Company started, it being recognized that the "Olde Towne Lamplighter" label was to be used by the Lexington Brewing Company on its product for distribution south of the Ohio River whenever it got into production and that Prichard was the owner of the label. Pending the Lexington Brewing Company getting into production, it continued as had its predecessor, the partnership, to purchase its product from the Consumers Brewing Company.

The new Lexington Brewing Company succeeded to the property, personnel and distributing business of the

Prichard-Bruckmann partnership and continued its same business. This beer was purchased outright and not on consignment.

In placing the label in question on the beer to be shipped to the Prichard and Bruckmann partnership, and later to the Lexington Brewing Company, the Circuit Court of Appeals found that the petitioner, Consumers Brewing Company, was acting as agent for the partnership and the Lexington Brewing Company, respectively. (The foregoing statement is condensed from the opinion of the Circuit Court of Appeals Record p. 354, 358.)

In concluding the statement of facts, we quote two paragraphs at length from the opinion of the United States Circuit Court of Appeals for the Sixth Circuit (Record, p. 358-359):

"Here, it may be remarked that the entire association of Prichard with Bruckman and the Consumers Brewing Company, appears, from the evidence, to have arisen out of his desire and plan to procure the premises of the old Lexington Company, manufacture beer therein, and distribute the product of such brewery as Lexington beer. Prichard's first contact with John C. Bruckmann resulted from his proposition to this effect. He entered into partnership with Bruckmann, with the ultimate objective of organizing a company and taking over the Lexington pre-

mises, which were owned by a corporation in which the Bruckmann family had controlling interests. Prichard's origination and design of the Lamplighter label were suggested and inspired by the thought that this would be a successful label to use on beer that his projected company would manufacture and distribute. His agreement with Bruckmann, as representing the Consumers Brewing Company, that the Olde Towne Lamplighter label be attached to the products sold by that company to the partnership for distribution in Kentucky and adjacent states, was for the purpose of building up a clientele through this brand of beer, which would be available when the new Lexington Brewing Company was organized; and Prichard was particular about reserving his right to the use of the label in case such a new brewery was not organized for the manufacture and sale of beer.

Although, as has been mentioned, the new Lexington Brewing Company was organized as a corporation in 1938, it apparently was never able to finance the purchase of the premises of the old Lexington Brewing Company; and, accordingly, the new company never undertook the manufacture of beer. In the latter part of 1939, after some dispute or trouble with others associated in the new company, Prichard left the company and, thereafter, organized a new corporation, called the E. F. Prichard

Company, one of the appellants herein, of which he became president and general manager. This latter company proceed, under the direction of Prichard, to market its beer with the Olde Towne Lamplighter label, south of the Ohio River, predicating its right so to do on the understanding between Bruckmann, as representing the Consumers Brewing Company, and Prichard. Within a few days after leaving the Lexington Brewing Company, Prichard demanded that the Consumers Brewing Company cease using the Lamplighter label."

ARGUMENT

In seeking issuance of writ of certiorari herein, petitioner insists that the opinion of the Circuit Court of Appeals for the Sixth Circuit is erroneous in certain respects, and is contrary to the decisions of this Honorable Court and to the local laws of the state of Kentucky.

The opinion itself is the best argument against this. The opinion is set out at length in the record, pages 354 to 370.

Petitioner urges that this decision of the Circuit Court of Appeals, in effect, declares that a trade-mark right is a right in gross or at large. (Petition p. 4).

Respondent submits that the opinion makes no such holding. As a matter of fact, the opinion states the law

in this respect exactly opposite from what the petition suggests. The opinion states:

"It may be observed that a trade-mark is not a subject of property except in connection with an existing business or trade. *American Steel Foundries v. Robertson*, 269 U. S. 372. See also, *Caigan v. Plibrico Jointless Firebrick Co.*, 65 F. (2d), 849 (C. C. A.), cert. den., 290 U. S. 668; *Jacobs v. Iodent Chemical Co.*, 41 F. (2d) 637 (C.C.A.3); *Certain-Teed Products Corps. v. Philadelphia & Suburban Mortgage Guarantee Co.*, 49 F. (2d) 114 (C.C.A.3). It has no existence in gross, but is inseparable from good will, and, therefore, appurtenant to the carrying on of a particular business; and it functions only in connection with an existing business. *Continental Corp. v. National Union Radio Corp.*, 67 F. (2d) 938 (C.C.A.7); *Ward Baking Co. v. Potter-Wrightington, Inc.*, 298 F. 398 (C.C.A.1); *Lawrence-Williams Co. v. Societe Enfants Gombault et Cie*, 52 F. (2d) 774 (C.C.A.6), cert. den., 285 U. S. 549; *Andrew Jergens Co. v. Bonded Products Corp.*, 13 F. (2d) 417, cert. den., 275 U. S. 572. Otherwise stated, there is no property in a trade-mark except as a right appurtenant to an established business or trade, when it becomes an element of good will. *Atlas Beverage Co. v. Minneapolis Brewing Co.*, 113 F. (2d) 672 (C.C.A.8)." (Opinion p. 362).

The petitioner insists that the Circuit Court of Appeals held that the license of a naked trade-mark was valid. (Petition p. 4). This assertion is also incorrect for the Sixth Circuit Court of Appeals specifically recognized the correct rule, but held that in this case that the contract was not a mere naked license or mere naked assignment of a trade-mark. The Court said:

"It is true, as contended by appellee, that a naked license to use a trade-mark is of no more validity than a naked assignment thereof. *Lea v. New Home Sewing Machine Co.*, 139 F. 732 (C.C.N.Y.). But a trade name, like a trade-mark, may be assigned, licensed, or lent, as long as it remains associated with the same product or business with which it has become associated in the public mind. An owner of a trade name who lends the use of such a trade name, may resume its exclusive use according to the terms of the lending. *Cardinal v. Taylor*, 302 Mass. 229, 19 N. E. (2d) 58. A manufacturer of a certain commodity, by agreeing to allow the purchaser thereof the use of its trade name for a certain period, did not lose the exclusive right to the name after the expiration of the term; *J. F. Rowley Co. et al. v. Rowley*, 18 F. (2d) 700 (C.C.A. 3); and one may introduce his trade-mark and create a demand for his variety of goods in a new territory, by licenses. *Vermont Maple Syrup Co., Inc., v. Johnson*

Maple Syrup. et al., 272 F. 478 (D. C. Vt.)."

Petitioner also contends that the contract between Prichard and the Consumers Brewing Company was invalid because Prichard dealt with the Consumers Brewing Company through its president and general manager, John C. Bruckmann, whom petitioner contends had a personal interest in the contract, which was to the detriment of the Consumers Brewing Company. In this petitioner is not supported by the facts, as it was disclosed by the evidence and found by the Courts below that the contract was beneficial to the Consumers Brewing Company and that they acted under it and accepted the benefits of it for a number of years, nor does it appear that Bruckmann was the only person connected with the Consumers Brewing Company who knew of the contract, nor was it personally beneficial to Bruckmann.

As stated by the Circuit Court of Appeals (Opinion Record p. 366):

"Bruckmann was president of the Consumers Brewing Company. The contract appears to have been made in the usual course of business and within the scope of his authority. He did not surrender any rights that the company was entitled to, nor subject it to any liability. He contracted for the sale of beer to the partnership. The agreement resulted in several years of substantial and pro-

sperous business for the brewing company — which was not at the time of the agreement in an especially flourishing condition. The Consumers Company had never known of the Lamplighter label before the contract and had never used the name of Olde Towne before that time. Furthermore, as the result of the contract, the Consumers Company received the right to the exclusive use of the important property right in the label as its own for the sale of its product in all area north of the Ohio River. The Consumers Company did not distribute its own products south of that line."

About the only other contention made by the petitioner is that the Circuit Court of Appeals erred in overruling petitioner's motion to dismiss the appeal for want of jurisdiction, and that in so doing it rendered a decision on an important question in conflict with the applicable decisions of this Court.

The order entered on the petition for rehearing seems to us is, in itself, a complete answer to this contention. This order (Record, p. 393) states as follows:

"It appears clear that it was the intent of the court, and the understanding of counsel for all parties, that the decree was suspended and was to take effect only after the court had determined upon the supersedeas bond."

This is an actual fact, and such was the understanding of all concerned.

The District Court entered its own order suspending the judgment until the amount of the supersedeas bond could be determined, and the Court has inherent power over its judgments throughout the term and this goes to the extent that it may vacate, suspend, modify, or change its judgments on the merits. *Suggs v. Mutual Ben. Health & Accident Assn.*, 115 F. (2d) 80; *Bowman v. Loperena, et al.*, 311 U. S. 262, 266.

From all the foregoing, it is respectfully submitted that the opinion of the Sixth Circuit Court of Appeals is not erroneous and is not in conflict with the opinions of this court. The opinion lays down no new or radical proposition of law, nor any proposition of law not in conformity with the general weight of authority, and, therefore, review by this Honorable Court is not necessary in the public interest or for uniformity.

Findings of fact as set out in the opinion of the Circuit Court of Appeals are well supported by the evidence. They disclose that Prichard originated the trade-mark in question; that in the territory south of the Ohio river Prichard was associated with a going business in which he desired, and required, a mark for the product purchased and owned by his company, and sold in that territory; and for that

purpose, by the contract, he arranged to have the Consumers Brewing Company place the trade-mark in question on the beer which he purchased from them, and reserved the trademark in that area for himself.

By that same contract, the petitioner acquired Prichard's design, which they have ever since used and are now using in the territory north of the Ohio River. They also obtained for many years a profitable outlet by sale of beer to Prichard, and his associates south of the Ohio River, and now after having reaped all the benefits of this contract, they decided to retain those benefits and cast aside any rights which Prichard might have under it.

For the Circuit Court of Appeals to have rendered a different decision herein would have permitted Consumers to have accomplished this contrary to the cardinal principle that a person cannot take and keep all of the benefits of a contract and thereafter cast it aside and thus escape its obligations.

It is, therefore, respectfully submitted that the petition for writ of certiorari should be denied.

RODMAN W. KEENON,
KEENON, HUGUELET & ODEAR,
Lexington, Ky.,
Counsel for Respondent.

January 4, 1944.